

Founder says 7-Eleven sold because of debts

Largest convenience store chain now Japanese owned

DALLAS (AP) — The founder of the 7-Eleven stores, the world's largest convenience store chain, said Thursday it is selling control to a Japanese company because of crushing debts from a junk bond-financed buyout.

The announcement by Southland Corp., which owns 7,000 7-Elevens in the United States, is one of the most dramatic examples yet of the problems facing U.S. companies that participated in the junk-bond craze of the 1980s.

Southland said it agreed to sell 75 percent of its common stock for \$400 million to Ito-Yokado Co. Ltd., Japan's second-largest supermarket operator, and longtime Southland affiliate 7-Eleven Japan, which Ito-Yokado controls.

Besides the company-owned 7-Elevens, the deal includes Southland's six food processing centers and five distribution centers.

In addition to the 7,000 Southland-owned stores, independent licensees operate nearly 6,000 7-Elevens in the United States and 21 other countries, including nearly 4,000 in Japan. Their merchandise features

milk and frozen foods, newspapers, hot coffee, video rentals and slushed ice drinks. The chain began in 1927 as a Dallas ice house.

Southland, which sought the Japanese buyer, said the deal hinges on its ability to get 32 bank creditors to restructure terms of the company's outstanding preferred stock and \$1.8 billion in debt. Much of the debt is in high-interest junk bonds used to finance the \$4.9 billion leveraged buyout by Southland's founding Thompson family in 1987.

Almost immediately after the buyout, the company had problems meeting huge debt payments. It attempted to raise cash partly by selling such assets as a half-interest in Citgo Petroleum Corp., a major refiner.

"We believe this transaction is necessary to preserve the business we've built," said Southland Chairman John P. Thompson, son of founder Joe C. Thompson.

Thompson's family will retain a 15 percent stake in the company and positions on the board of directors.

He said the \$400 million infusion by Ito-Yokado would enable South-

land to make needed capital improvements and finance advertising and marketing efforts in the competitive convenience store business.

"There will be no layoffs and no store closings," Southland spokesman Harris Diamond said.

Other companies acquired with high-interest junk bond debt have suffered similar problems.

Campeau Corp., for example, earlier this year put its heavily leveraged Federated and Allied retail store empire under Chapter 11 bankruptcy court protection after they defaulted on credit agreements. Revco D.S. Inc., the drug store chain acquired in a \$1.25 billion leveraged buyout in 1986, went Chapter 11 in 1988.

Masatoshi Ito, the chairman of 7-Eleven Japan and president of Ito-Yokado, said the deal is the beginning of a worldwide partnership.

"As the world's largest convenience store chain, we will maintain and build upon our mutually strong market positions by combining the operating skills and strategic thinking of the American and Japanese companies," Ito said.



Japan got its first 7-Eleven store 15 years ago in Tokyo. The U.S.-based convenience store will be sold to a Japanese company.



REUTERS photo

Matsushita president Akio Tanii discusses \$6.6 billion acquisition via satellite from Osaka.

Matsushita will allow Americans to retain creative control of MCA

By E. Scott Reckard
AP business writer

11-27-90

LOS ANGELES — Industry analysts say MCA Inc. — the entertainment giant that gave the world "E.T." and "Jaws" — is so well run that its new Japanese owners will allow creative control to remain in American hands.

In the biggest Japanese purchase ever of a U.S. company, Matsushita Electric Industrial Co. struck a \$6.6 billion deal for MCA on Monday.

The Japanese maker of video-cassette recorders, televisions and stereos under such brand names as Panasonic, Technics and Quasar got a company that produces hit TV shows such as "Murder, She Wrote" and "Major Dad," records artists such as Elton John and Guns N' Roses and owns many of the biggest movies of all time.





MCA became the fourth major Hollywood studio to come under foreign control, raising fears that responsibility for the financing and political content of American entertainment is falling increasingly into non-American hands.

In a statement Monday, Matsushita indicated its awareness of American fears of Japanese investment and sought to allay them by promising to leave MCA's management intact and allow the company's direction to be determined at home.

Analysts and MCA executives said the public is unlikely to see much of a difference in movie theaters, from CD players or on TV screens.

Biggest Japanese purchases OF U.S. COMPANIES

Here are some of the largest acquisitions, in dollar terms, by Japanese interests of major stakes or controlling interests in U.S. companies, according to figures compiled by IDD Information Services and the AP:

 U.S. companies	 Japanese interests	 Dollar amount	 Announcement
MCA Inc.	Matsushita Electric Industrial Co. Ltd.	\$6.6 billion	Nov. 26, 1990
Columbia Pictures Entertainment Inc.	Sony Corp.	\$5.0 billion	Sept. 27, 1989
Firestone Tire & Rubber Co.	Bridgestone Corp.	\$2.65 billion	Feb. 16, 1988
Inter Continental Hotels	Seibu Saison	\$2.27 billion	Sept. 30, 1988
CBS Records	Sony Corp.	\$2.0 billion	Nov. 18, 1987
Westin Hotels and Resorts	Aoki Corp. with the Robert M. Bass Group	\$1.53 billion	Oct. 27, 1987
CIT Group	Dai-Ichi Kangyo	\$1.28 billion	Sept. 18, 1989
Gould Inc.	Nippon Mining Co. Ltd.	\$1.05 billion	Aug. 30, 1988
Arlstech Chemical Corp.	Mitsubishi Corp.	\$859 million	Jan. 16, 1990
Rockefeller Group Inc.	Mitsubishi Estate Corp.	\$846 million	Oct. 30, 1989

"They bought it precisely because of management," said Jeff Logsdon of Seidler Amdec Securities Inc. "It doesn't help them to interfere in the creative process."

"I don't think Matsushita made a major investment in a company that's doing very well to try to change what it's doing," said MCA's movie chief, Tom Pollock.

Still, the deal has brought skepti-

cism and criticism.

Record producer Quincy Jones said he was worried that the country was selling off its heritage.

In Japan, the nationally circulated Asahi Shimbun newspaper reported that Matsushita pushed to close the deal before Dec. 7, the 49th anniversary of the Japanese bombing of Pearl Harbor, to avoid public relations problems.

1-2-91 Japanese interests benefit
Landmark Resorts
2-8-91 Japanese "Sony" want to buy
Union Films for 500 Million dollars

1-38



Monday
Feb. 11, 1991

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The Daily Herald

Opinions

CITIZENS OF AMERICA... I AM
REALLY NOT SUCH A BAD GUY. BEFORE
I INVADED KUWAIT I TRIED TO BUY ALL
THE AMERICAN COMPANIES THERE, BUT
HEY, THE JAPANESE WOULDN'T
SELL THEM TO ME!!!



WILSON THE DAILY HERALD

Japan investors buy Southland, parent company of 7-Eleven

■ \$430 million: Purchase wraps up 1-year restructuring, trip through court with 'prepackaged' bankruptcy plan.

By Evan Ramstad
AP business writer

DALLAS — The family that built Southland Corp. from a string of Dallas ice houses to the world's largest convenience store chain has turned the company over to investors from Japan.

A \$430 million cash purchase by Ito Yokado Co. Ltd. and Seven-Eleven Japan Co. Ltd. closed a yearlong restructuring and a quick trip through bankruptcy court for Southland, owner of 7-Eleven stores.

The company's chief financial officer, Clark Matthews, became Southland's chief executive with the consummation of the deal, which infuses the company with cash to help it out from under the debt burden of a 1987 leveraged buyout.

"Equally important is the fact that (Ito Yokado and Seven-Eleven Japan) know both the convenience retailing business and 7-Eleven very well," Matthews said.

The purchase gives the Japanese affiliates a 70 percent stake in the new Southland. The reorganization plan also provided a 25 percent stake in the new company for bondholders and other creditors.

Southland's stockholders, primarily the founding Thompson family, will have a 5 percent stake. Some bondholders have an option to increase their stake in Southland at the expense of the Thompsons, who started the company in 1927.

The securities and stock exchanges will begin soon, said Southland spokeswoman Cecilia Norwood. The company's new common stock will trade on the NASDAQ

market with the new bonds and warrants traded over the counter and not quoted by the exchange.

The Dallas company owns 6,600 7-Eleven stores in the United States and Canada and licenses another 6,400 stores in 22 countries. About 4,200 of the overseas stores are operated by the Japanese buyers.

Norwood said customers would see "no difference whatsoever" in the operations of 7-Eleven. "We expect the company to continue operating as it has in the past," she said.

The company filed for bankruptcy protection in late October, saying it was burdened by debt from the \$5 billion leveraged buyout the Thompsons made to take the company private in 1987.

The company filed a "prepackaged" bankruptcy plan, one that has already been approved by creditors, to speed through the reorganization process.

Some bondholders complained, in a confirmation hearing in December, that Southland solicited votes on the plan from the wrong people.

The company conducted its reorganization vote among the investment brokers, called record holders, who keep Southland bonds on behalf of individual investors. But dissident bondholders said individual investors should have been given a vote.

Southland didn't have the ability, under securities laws, to find out who the individuals were until U.S. Bankruptcy Judge Harold Abramson authorized such disclosure and ordered a second vote.

That vote, completed Feb. 16, found more than 93 percent of the voting bondholders in support of the reorganization.

The typical Chapter 11 approach, in which a company files and then later presents a judge with a reorganization plan that must be approved by creditors, can take months and even years.

Study: Japanese still buying U.S. real estate

WASHINGTON (AP) — The Japanese continue to spend billions buying American real estate, but the days of big-ticket purchases such as Rockefeller Center are over as publicity-shy investors turn to less well known properties.

Despite a recession and a war, the Japanese boosted their stake in U.S. real estate by 23 percent last year to more than \$70.7 billion, according to a study released Wednesday. Japanese investment could reach \$80 billion by the end of this year.

"I don't believe it's the selling of America," said Stephen G. Finch of the Washington office of Kenneth Leventhal & Co., the accounting firm that did the study.

Japanese investors put about \$13.06 billion into American real estate last year, down from \$14.7 billion during the year before, said the study.

Though large, the Japanese real

estate investment is in fourth place among foreign owners, ranking behind Great Britain, the Netherlands and Canada, Finch said. He did not provide figures for the other countries.

California, Hawaii, Guam and Florida were the hottest areas for Japanese real estate investment in 1990. Los Angeles passed New York as the metropolitan area with the highest amount of Japanese investment, the study said.

The biggest loser was New York, in relative terms. New Japanese investment statewide has all but dried up, dropping from \$2.3 billion in 1989 to \$418 million last year, the study said.

In past years, the Japanese have made well-publicized purchases of "trophy" properties, such as a large share in Rockefeller Center in New York and the Sears Tower in Chicago. But that has slowed considerably, partly because the

cream of that kind of property has now been bought and partly because the Japanese are shy about the publicity they've been getting, Finch said.

"They're a very closed society," Finch said. "They like their privacy and part of the difficulty in dealing in the U.S. is how public we are about most of what we do."

"And there's been a lot of notoriety and a lot of concern about the property that they acquire. Sometimes it put them in an embarrassing position to justify their options."

Japanese investors spent about \$5.8 billion on real estate in California last year, \$2.9 billion in Hawaii, \$1.1 billion in Guam and \$510 million in Florida, the study said.

But the study found that the average size of transactions was getting smaller and that investors were buying residential property and longer-term investments in undeveloped land.

Japanese companies admit spying

20 July 1991

TOKYO (AP) — Fourteen more Japanese manufacturers acknowledged Friday they obtained rivals' secrets from a man arrested for corporate espionage on Komatsu Ltd., a leading maker of bulldozers and other big earth-moving machinery.

The companies included Mitsubishi Heavy Industries Ltd., Japan's largest heavy machinery maker, Kyodo News Service reported. Aya Ichikawa, a Mitsubishi spokeswoman, said the company had given police "all related documents."

The widening investigation into corporate espionage follows a series of scandals involving major Japanese companies. Yomiuri Shinbun, Japan's largest

newspaper, quoted an Industrial Machinery Association official, Hisaku Iijima, as saying this was the first espionage case on this scale in the industry. "It's unbelievable," it quoted him as saying.

On Wednesday, a man identified as Kiyoshi Ota was arrested on suspicion of having sold business secrets stolen from Komatsu to Toyo Umpanki, a smaller machinery firm in Osaka.

After finding memos and name cards in Ota's house, police were investigating 14 other companies to see if they also had purchased secret documents, a Tokyo Metropolitan Police official said on condition of anonymity. Police declined to comment further.

ther on the investigation, but Kyodo said all the companies admitted they had received documents from Ota.

Most said they paid Ota several thousand dollars each time they received documents concerning competitors' marketing and product development, Kyodo said.

Ota's arrest came after Komatsu reported to police in December that a man was filmed by a hidden camera breaking into a company office.

Some commentators said corporate espionage is not surprising because of the highly competitive nature of Japanese business.